Joint State-Federal Mortgage Servicing Settlement FAQ

Q: What is the settlement?

A: Michigan Attorney General Bill Schuette and other participating state Attorneys General entered into this settlement with the five leading bank mortgage servicers. The settlement requires the bank mortgage servicers to provide the participating states, including Michigan, up to $25 billion dollars in monetary sanctions and relief. The total settlement amount is dependent on the number of states that sign the settlement agreement. In addition to the money relief, the settlement requires comprehensive reforms of mortgage loan serving.

Q: Which 5 Bank Mortgage Servicers are involved?

A: This settlement applies to the following five banks/mortgage servicers:

1. Bank of America,
2. Citi,
3. Chase,
4. Wells Fargo, and
5. GMAC/Ally.

The state Attorneys General's negotiating committee, which negotiated this settlement, will work to negotiate similar settlements with other banks. It is expected that there will be additional settlements with other large mortgage servicers.

Q: What is a mortgage servicer and how do I know who services my loan?

A: A mortgage servicer administers mortgage loans, including collecting and recording payments from borrowers. A servicer also handles loan defaults and foreclosures, and may offer loss mitigation programs to assist delinquent borrowers.

The company that you make your monthly mortgage payment to is your mortgage servicer. Your mortgage servicer may or may not be a lending institution and may or may not own your loan.

Q: How much money will the banks/mortgage servicers pay?

A: Under the settlement, the servicers will spend at least $19 billion to provide the different forms of consumer relief. If all 50 states, including California, decide to participate in this settlement the total paid by servicers would be $25 billion.

Q: Where will the money go?

A: There are 4 different categories of monetary relief.

1. State Payment: Cash payments to states to address foreclosure related issues. The payment to Michigan will be $97,209,465.00.

2. Borrower Payments: Separate from the cash payments to states, a national settlement administrator will distribute cash payments to borrowers who went through foreclosure from 2008-2011. It is estimated that $89,801,787.64 will flow to Michigan residents. The exact eligibility criteria will be finalized later. **Recipients will not be required to execute a release or otherwise forego claims that they could raise individually.**

3. Refinance Program: Servicers will fund a refinancing program for borrowers who are current on their mortgage payments but who could benefit from lower current interest rates. This program is estimated to provide approximately $83,655,641.00 in value to Michigan residents.

4. Federal Menu Benefits: A federal spend-down fund that will provide principal balance reductions, short sales, deeds in lieu of foreclosure, and other relief. This is valued at approximately $515,111,411.60 for Michigan residents.

In total, the portion of the settlement payment that would flow to Michigan is estimated at $790,396,572.24. The chart below shows these figures also.

State Payment	Borrower Payments *	Refinance Program*	Federal Menu Benefits*	TOTAL
$97,209,465.00	$89,801,787.64	$83,635,641.00	$515,111,411.60	$785,758,305.24

* Note: all numbers, except the state payment, are estimates.

Q: What will Michigan do with the State Payment?

A: Michigan Attorney General Bill Schuette is recommending that the Legislature create a specific fund to support 6 different activities:

1. Foreclosure Counseling for Homeowners - $20 million
2. Foreclosure Rescue Scam Victim Restitution - $10 million
3. Michigan Attorney General Home Protection Unit - $6 million
4. Payments to borrowers who suffered foreclosure - $31 million
5. Assistance for school children displaced by foreclosure - $20 million
6. Assistance for Military Servicemembers - $10 million

Q: **My mortgage is serviced by Bank of America, Citi, Chase, Wells Fargo or GMAC/Ally, how do I know if I can gain some relief from this settlement?**

A: Borrowers will not immediately know if they are eligible for relief. For loan modifications and refinance options, borrowers may be contacted directly by one of the five participating mortgage servicers. Even if you are not contacted, if your loan is serviced by one of the five settling banks, you are encouraged to contact your servicer to see if you are eligible. The five servicer contacts are below:

GMAC/Ally
1-800-766-4622

Bank of America
1-877-488-7814

Citigroup
1-866-272-4749

JPMorgan Chase
1-866-372-6901
Monday-Thursday: 8:00 a.m.-12:00 a.m., Eastern Time
Friday: 8:00 a.m.-12:00 a.m., Eastern Time
Saturday: 8:00 a.m.-5:00 p.m., Eastern Time

Wells Fargo
1-800-288-3212

In any event, borrowers may contact their mortgage servicer to obtain more information about specific loan modification programs and whether the borrower may be impacted by this settlement. More information will be made available as the settlement programs are implemented.

Q: I have already lost my home to foreclosure. Can I get any help?

A: If your home was foreclosed upon from 2008-2011 and your mortgage was serviced by Bank of America, Citi, Chase, Wells Fargo or GMAC/Ally, you may be eligible for a cash payment. The amount of the payment will depend on how many people file claims, but it is expected to be around $1,500 to $2,000.

Q: How do I file a claim?

A: A settlement administrator designated by the state Attorneys General will send claim forms to eligible persons. Borrowers will have to fill out the claim form and send it back to the settlement administrator. Borrowers who are concerned they will be hard to locate can also contact the MI. Attorney General to provide their current address. This process will take time and it will be several months before claim forms are sent. Please check back to our website for updates.

Q: How do you know that the banks will do what they promised?

A: A settlement monitor will be appointed who will be able to gather information and test whether the banks are living up to their promises. The settlement includes specific criteria to measure compliance and remedial steps for non-compliance.

Q: How does this settlement affect members of the military?

A: The Servicemembers Civil Relief Act (SCRA) provides protections for active duty military servicemembers, including postponing or suspending certain civil obligations, such as mortgage payments and foreclosure. This settlement provides enhanced safeguards for military personnel that go beyond SCRA protections, including extending the window of protections for qualified servicemembers, and not requiring servicemembers to be delinquent to qualify for a short sale, loan modification, or other loss mitigation relief if the servicemember suffers financial hardship and is otherwise eligible for such loss mitigation.

Q: What about those of us who keep making our mortgage payments?

A: Borrowers who are current in their payments, but are "underwater" on their mortgages, may qualify for refinancing relief under the settlement. "Underwater" means a borrower owns more on the mortgage than the home is worth.

Beyond that, the mortgage servicers involved in this settlement broke the law, the conduct harmed borrowers, and this settlement addresses that conduct. If the mortgage servicers followed the law, many foreclosures likely could have been prevented. Foreclosure has a profound impact beyond the borrower and the creditor. A foreclosure affects homeowners, families, neighborhoods, communities, the housing market, and our overall economy.

When a house is subject to foreclosure, it creates a ripple effect that lowers the value of nearby single-family homes and other properties. In 2009, the Center for Responsible Lending projected that homeowners living near foreclosed properties, on average, would lose $7,200 in property value, and projected a four-year increase in losses to $20,300 per household.

Foreclosures contribute to unstable family and social environments. They increase stress on homeowners, their families, and their neighbors. These deteriorating, neglected properties and neighboring property value losses create neighborhood blight, cut a community's tax base, and can contribute to crime. Displaced homeowners put other stresses on communities, including the need for shelter and social services.

Foreclosures affect everyone and affect our economy – even those who play by the rules and pay their monthly mortgage on time.

Q: Why force banks to forgive large portions of peoples' loans?

A: The states and federal agencies established that the servicers have done wrong – through improper lending practices, improper foreclosures, etc. – and in response the banks have agreed to a settlement that helps many homeowners who have been hurt by misconduct in the marketplace.

Some banks have acknowledged that principal reduction can be an effective tool in stabilizing the housing market and have already forgiven portions of some loans. The idea is to keep people in their homes. The banks lose, on average, about $60,000 on each foreclosure. It is a win-win proposition for the banks to give up some principal – instead of paying $60,000 for each foreclosure – and allow people to remain in their homes. As a matter of pure economics, principal reduction is often better for the bank than the massive losses associated with foreclosure.

The huge number of foreclosures impacts all of us: our nest eggs erode, we may no longer borrow against our homes, and we can't sell them when we need to. Principal reduction is one of the tools we've negotiated to help keep more people in their homes and help stabilize the housing market — which helps all of us. It's true that principal forgiveness at this level is extraordinary. But so is the mortgage crisis, which affects families, our neighborhoods, and our economy. Big problems require big solutions.

Q: Why are you releasing the banks from some claims?

A: The release of claims, found in the settlement, relinquishes particular state and federal claims related to issues addressed by the settlement. The release is narrow and limited to mortgage servicing and origination claims. States that sign this settlement may still pursue other claims against the banks, such as securities and securitization claims. States could also sue financial institutions that are not part of the settlement.

States that opt not to sign the agreement are free to pursue their own legal actions. However, those states give up all the funds designated specifically for their state and its citizens who were foreclosure victims. Homeowners of those states also only qualify for a significantly reduced amount of loan modifications and other benefits being distributed as part of the settlement's national programs.

The agreement does not affect any individual's rights. A consumer may still bring an individual action, be a part of a class action, or seek further review/relief from the Office of the Comptroller of the Currency (OCC).

Q: Does this immunize banks from criminal prosecution?

A: No. This is a civil, not a criminal, settlement, and this settlement does not prevent state or federal criminal prosecutions.

Q: How will this settlement protect consumers in the future?

A: The banks have agreed to major reforms in how they service mortgage loans. These new servicing standards require lenders and servicers to adhere to a long list of rights for those facing foreclosure. For example, borrowers will have the right to see all of their loan documents to make sure any potential foreclosure is legal and will be given every opportunity to first modify their loan before facing foreclosure. Additionally, borrowers will have the right to deal with a reliable, single point of contact from whom to obtain information throughout the process. Lenders and servicers will be required to have an appropriate number of well-trained staff to promptly respond to distressed borrowers.

Q: How do I find out more about the settlement?

A: Visit www.NationalForeclosureSettlement.com